

CEO on leave of absence

HOLD

Price: RM0.52
 Fair Value: RM0.58

Rationale for report: Company update

| YE to Dec | FY19 | FY20E | FY21F | FY22F |
|-----------|--------|--------|--------|-------|
| EPS (sen) | (41.0) | (10.0) | (3.1) | 0.6 |
| PE (x) | (1.3) | (5.2) | (17.0) | 92.0 |

Source : AmInvestment Bank Bhd

Quick Take

- MSM Malaysia announced that its group CEO (GCEO) Datuk Khairil Anuar Aziz has been requested to explain certain irregularities relating to inventories of MSM Sugar Refinery (Johor).
- Khairil has been given seven days from yesterday to respond to the matter and has been placed on leave of absence until further notice from the board of directors.
- MSM's board of directors has appointed Fakhrunniam Othman as the officer-in-charge to perform the functions of the MSM GCEO.
- Fakhrunniam is currently the group investment officer of FGV Holdings Bhd.
- MSM Sugar Refinery (Johor) is currently in the red as there are not enough off-takers. Average utilisation rate of the Johor refinery was 23% in 1HFY20 vs. 19% in 1HFY19.
- Currently, the Johor refinery is operating at utilization rates of 26% to 30% vs. the breakeven rate of 50% to 60%. The Johor refinery has an installed production capacity of one million tonnes per year. This is the same as MSM Prai's production capacity.
- MSM has had a series of changes in its management team in the past couple of years.
- Khairil was appointed as MSM's CEO in April 2019.
- In June 2020, Datuk Syed Hisham was appointed as MSM's chairman.
- Datuk Wira Azhar Abdul Hamid resigned as MSM's chairman with effect from 31 May 2020 as part of the agreement to resolve FGV's directors' fees issue.
- MSM had an acting CEO, Shaffie Said, in January 2018 after Datuk Mohamad Amri left his position as CEO.
- Amri had claimed that he was constructively dismissed. MSM denied his claim and had requested for him to return to work on 22 January 2018.
- Currently, we have a HOLD on MSM with a fair value of RM0.58/share.

TABLE 1 : VALUATION MATRIX

| (RM mil) YE Dec | FY18 | FY19 | FY20E | FY21F | FY22F |
|-----------------------|---------|---------|---------|---------|---------|
| Revenue (RMmil) | 2,214.4 | 2,006.9 | 2,073.7 | 2,158.6 | 2,268.5 |
| Net Profit (RMmil) | 37.4 | (288.5) | (70.6) | (21.5) | 4.0 |
| EPS (sen) | 5.3 | (41.0) | (10.0) | (3.1) | 0.6 |
| EPS growth (%) | (202.9) | (871.9) | (75.5) | (69.5) | (118.5) |
| Consensus net (RMmil) | 58.9 | (135.5) | (66.4) | 1.9 | 31.8 |
| DPS (sen) | - | - | - | - | 2.0 |
| PE (x) | 9.8 | (1.3) | (5.2) | (17.0) | 92.0 |
| EV/EBITDA (x) | 9.3 | (9.5) | 9.8 | 7.2 | 6.2 |
| Div yield (%) | - | - | - | - | 3.8 |
| ROE (%) | 1.9 | (15.9) | (4.4) | (1.4) | 0.3 |

Source : AmInvestment Bank Bhd

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